

# AUSTRALIAN MARKETS WEEKLY

## The slowing demand for real estate jobs



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- Preliminary CoreLogic data suggests auction clearance rates in Sydney and Melbourne continue in the 40-50% range. The weekend's preliminary clearance rates for Sydney and Melbourne were 48.5% and 43.5% respectively. Auction volumes have held up more in Melbourne than in Sydney relative to the same time in the past two years. A sign perhaps that vendors down south are still taking transactions to the market and adjusting expectations accordingly.
- This week we take a magnifying glass to SEEK job ads and look at which sub-sectors the decline in construction and real estate job ads has been concentrated.
- The AUD/USD began the week above 0.73; breaking through this key resistance level after boosts from better-than-expected labour data and a broad-based fall in the USD following comments from Fed members Clarida and Kaplan. Recent Fed comments have acknowledged a slowing global economy or cautioned on US rate hikes.
- This week is fairly quiet for AU data releases. Highlights being RBA Minutes (released this morning) and Phil Lowe's speech tonight. However, markets will likely be concentrating on geopolitics following the APEC summit and in the lead up to the Trump-Xi meeting at the G20 next week.
- With the Minutes reiterating the same message the RBA espoused in its Statement of Monetary Policy, RBA watchers will turn to Governor Lowe's speech tonight on *Trust and Prosperity* at an annual dinner in Melbourne – well worth tuning in for any thoughts on the outlook for monetary policy in the speech and Q&A.
- With the US out for Thanksgiving on Thursday, it's a fairly quiet week abroad too. Nevertheless, focus for markets will be on the news flow related to US-China trade and Brexit. Trump sounded cautiously optimistic on this late last week, US VP Mike Pence appeared keener to trade barbs with China's President Xi at an Asia-Pacific Economic Cooperation summit over the weekend, which has soured sentiment a little.
- On Brexit, focus will be whether a seemingly likely leadership challenge will occur this week. Cabinet is now stabilising in support of the PM with high profile Ministers Gove, Fox, Grayling, Mordaunt and Leadsom agreeing collectively to stay, with one source stating "resigning and joining a rebellion is not going to help anything".

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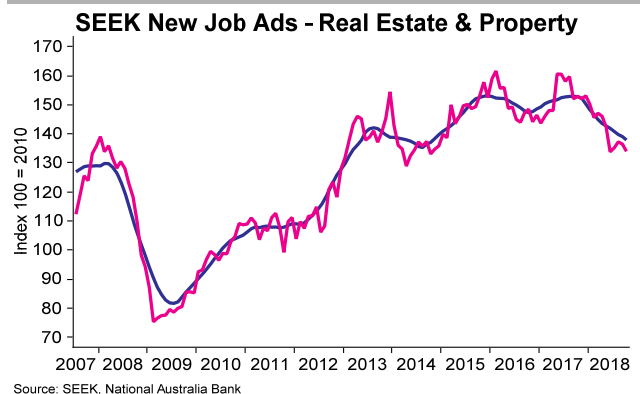
[Ask the Interest Rate Strategists](#)

### Key markets over the past week to Tuesday

	Last	% chg week		Last	bp / % chg week
AUD	0.7291	1.0	RBA cash	1.50	0
AUD/CNY	5.06	1.1	3y swap	2.19	0
AUD/JPY	82.1	-0.1	ASX 200	5,648	-3.2
AUD/EUR	0.637	-0.5	Iron ore	72	1.1
AUD/NZD	1.065	-0.2	WTI oil	57.0	2.2

Source: Bloomberg

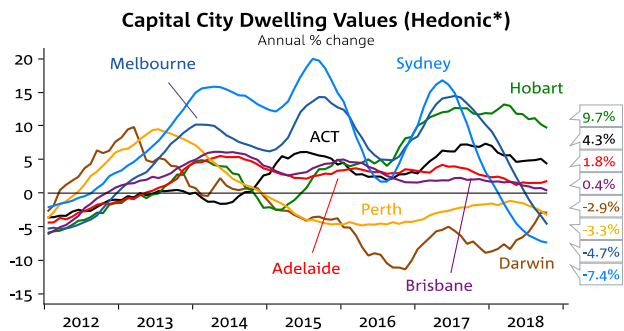
Chart 1: Real estate job ads declining



### Housing market cools; job ads pull back

It's clear for some time now that the Sydney and Melbourne housing markets have been cooling, as dwelling prices decline from recent peaks. The latest CoreLogic data show Sydney prices down 7.4% y/y and Melbourne prices down 4.7% y/y. Our previous Weekly surmised the slowdown we're seeing in prices and auction volumes – although modest vacancy rates still suggest little oversupply.

Chart 2: Prices coming down in Sydney and Melbourne

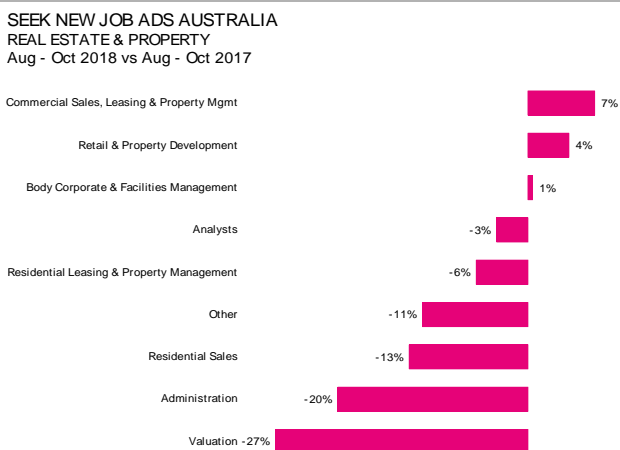


Source: CoreLogic, National Australia Bank, Macrobond  
 \*The Hedonic Index takes into account property attributes for a more accurate estimate of price movements. Examples include: the number of bedrooms, bathrooms, land area, and geography

Today we turn to SEEK job ads to quantify the impact of a softening housing market on real estate, construction and architecture jobs. Real estate job ads have come off the late 2017 peak as housing price growth slowed on the east coast. Job ads are now broadly around 2014 levels, prior to the latest phase of the residential property boom (Chart 1). These are still relatively elevated levels, certainly not the collapse or slump the media is often reporting for house prices.

Diving into the SEEK data, we can reveal that much of the decline in real estate job ads is related to property valuations, administration and sales. With auction volumes still on the decline, it's no surprise that demand for these jobs – particularly sales – has softened.

Chart 3: Valuation, sales and admin job ads declining



However, the data also reveals a silver lining; there's been a lift in commercial property related jobs, which have risen 7% in the three months to October, compared to the same period a year ago. Alongside a very tight Sydney and Melbourne office market, activity in the commercial property space is likely to be well supported in coming

quarters. The NAB Commercial Property Survey shows that conditions in the office and industrial markets are well above average levels, with rents expected to lift 1.2% in both markets over the next 12 months.

On the other side of the equation, SEEK job ads show a moderation in construction ads placed. While the pipeline for residential construction work remains large, we've seen approvals decline. It appears that many residential construction firms are no longer seeking to expand their labour force as quickly as before. Contract management, supervisors and management are among the most affected, with job ads declining between 14 and 16% over the year. Again, the declines are modest to date, and if anything a little surprising as we have been expecting strength in infrastructure, defence and mining to take up this slack.

Chart 4: Construction job ads have decreased

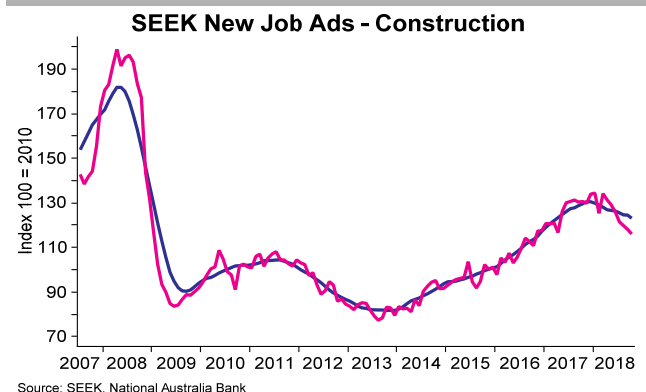
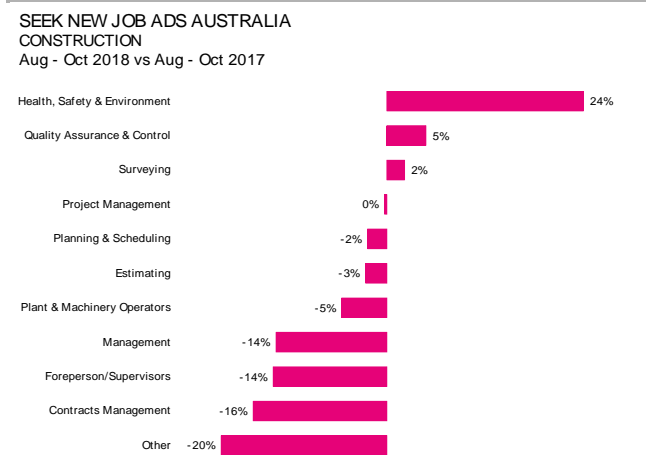


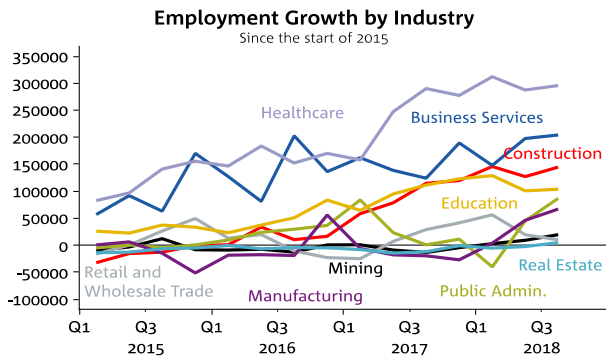
Chart 5: Less ads for construction management roles



While job ads for Real Estate & Property and Construction have slowed, there's little evidence of job losses in these industries. Over the past two years, construction employment has grown strongly, and it remains at high levels. Likewise, there remains little change in the number of people employed in the real estate industry.

With a strong economic backdrop of above-trend growth, falling unemployment and continuing solid population growth, the fundamentals for employment in these industries overall remain solid. Further, a large pipeline of infrastructure projects, plus a pick-up in mining and defence projects should see overall construction activity supported for years to come.

Chart 6: Still strong levels of construction employment



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# CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
<b>Tuesday, 20 November 2018</b>								
AU	RBA Nov. Meeting Minutes						0.30	11.30
AU	RBA's Lowe gives speech in Melbourne						8.20	19.20
US	Housing Starts	Oct		1225		1201	13.30	0.30
US	Building Permits	Oct		1260		1241	13.30	0.30
CA	Bank of Canada's Carolyn Wilkins Speaks in Montreal						17.45	4.45
<b>Wednesday, 21 November 2018</b>								
NZ	Dairy Auction Avg. % change	20 Nov	broadly stable			-2		early am
AU	Westpac Leading Index MoM	Oct				-0.06	23.30	10.30
NZ	Credit Card Spending YoY	Oct				7.8	2.00	13.00
JN	All Industry Activity Index MoM	Sep		-0.9		0.5	4.30	15.30
UK	PSNB ex Banking Groups	Oct		6.1		4.1	9.30	20.30
EC	OECD Economic Forecasts						10.00	21.00
US	MBA Mortgage Applications	16 Nov				-3.2	12.00	23.00
CA	Wholesale Trade Sales MoM	Sep		0.3		-0.1	13.30	0.30
US	Durable Goods Orders	Oct P		-2.6		0.7	13.30	0.30
US	Cap Goods Orders Nondef Ex Air	Oct P		0.2		-0.1	13.30	0.30
US	Initial Jobless Claims	17 Nov		215		216	13.30	0.30
US	Leading Index	Oct		0.1		0.5	15.00	2.00
US	U. of Mich. Sentiment / Expectations	Nov F		98.3/		98.3/88.7	15.00	2.00
<b>Thursday, 22 November 2018</b>								
US	<b>Thanksgiving holiday</b>							
NZ	Net Migration SA	Oct				4640	21.45	8.45
JN	Natl CPI YoY	Oct		1.4		1.2	23.30	10.30
JN	Natl CPI Ex Fresh Food YoY	Oct		1		1	23.30	10.30
JN	Machine Tool Orders YoY	Oct F				-1.1	6.00	17.00
EC	Consumer Confidence	Nov A		-3		-2.7	15.00	2.00
<b>Monday, 26 November 2018</b>								
NZ	National Accounts (annual)						21.45	8.45
JN	Nikkei Japan PMI Mfg	Nov P				52.9	0.30	11.30
GE	GDP SA QoQ / YoY	3Q F		-0.2/1.1		-0.2/1.1	7.00	18.00
GE	GDP NSA YoY	3Q F		1.1		1.1	7.00	18.00
GE	Markit/BME Germany Manufacturing PMI	Nov P		52.2		52.2	8.30	19.30
GE	Markit Germany Services PMI	Nov P		54.5		54.7	8.30	19.30
EC	Markit Eurozone Manufacturing PMI	Nov P		52		52	9.00	20.00
CA	Retail Sales MoM	Sep		0		-0.1	13.30	0.30
CA	Retail Sales Ex Auto MoM	Sep		0.3		-0.4	13.30	0.30
CA	CPI NSA MoM / YoY	Oct		0.1/2.2		-0.4/2.2	13.30	0.30
CA	CPI Core- Common YoY%	Oct		1.9		1.9	13.30	0.30
CA	CPI Core- Median YoY%	Oct		2		2	13.30	0.30
CA	CPI Core- Trim YoY%	Oct		2.1		2.1	13.30	0.30
US	Markit US Manufacturing PMI	Nov P		55.7		55.7	14.45	1.45
US	Markit US Services PMI	Nov P		55		54.8	14.45	1.45
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Australia, RBA		4-Dec	1.5%	1.5%		1.5%		
Canada, BoC		5-Dec	1.75%	1.75%		1.75%		
Europe, ECB		13-Dec	-0.4%	-0.4%		-0.4%		
US, Federal Reserve		19-Dec	2.25-2.5%	2.25-2.5%		2-2.25%		
UK, BOE		20-Dec	0.75%	0.75%		0.75%		
Japan, BoJ		20-Dec	-0.1%	-0.1%		-0.1%		
New Zealand, RBNZ		13-Feb	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Savings Time

# FORECASTS

		Annual % change				Quarterly % change															
		2017	2018	2019	2020	2017				2018				2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Australia Forecasts</b>																					
Household Consumption	2.7	2.9	2.5	2.5	0.4	0.9	0.6	1.1	0.5	0.7	0.6	0.5	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.7
Underlying Business Investment	3.3	3.0	5.0	5.8	3.3	0.0	3.8	0.3	0.7	-0.7	1.3	0.1	2.1	1.5	1.8	1.4	1.2	1.7	1.1	1.3	
Residential Construction	-2.2	2.7	-5.3	-1.9	-3.3	-0.2	-1.7	0.3	3.6	1.7	-2.6	-0.3	-2.2	-1.9	-0.9	-1.2	-0.3	0.0	0.3	0.6	
Underlying Public Spending	4.5	4.6	4.2	4.5	0.9	1.1	1.6	1.1	1.5	0.6	0.9	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	
Exports	3.5	5.0	4.8	2.5	-1.6	2.3	1.0	-1.5	3.0	1.1	1.7	1.0	1.4	1.3	0.7	0.7	0.5	0.6	0.4	0.7	
Imports	7.8	5.0	3.6	4.9	3.0	0.2	2.3	1.7	1.7	0.4	0.5	0.7	0.9	1.1	1.3	1.2	1.1	1.3	1.2	1.4	
Net Exports (a)	-1.0	-0.1	0.1	-0.6	-1.0	0.4	-0.3	-0.7	0.2	0.1	0.2	0.0	0.1	0.0	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	
Inventories (a)	-0.1	0.1	-0.1	0.0	0.5	-0.9	0.4	0.0	0.2	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Domestic Demand - qtr%					0.7	0.8	1.0	0.9	1.0	0.6	0.5	0.6	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.9	
Dom Demand - ann %	3.0	3.2	2.6	3.0	2.3	2.6	3.6	3.4	3.7	3.4	3.0	2.6	2.3	2.4	2.7	2.9	2.9	3.0	3.0	3.1	
Real GDP - qtr %					0.4	0.7	0.7	0.7	1.1	0.9	0.6	0.6	0.7	0.7	0.7	0.6	0.5	0.7	0.6	0.7	
Real GDP - ann %	2.2	3.3	2.7	2.5	1.9	1.9	2.7	2.4	3.2	3.4	3.3	3.2	2.7	2.6	2.7	2.7	2.5	2.5	2.3	2.5	
CPI headline - qtr %					0.5	0.2	0.6	0.6	0.4	0.4	0.5	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.8	0.9	
CPI headline - ann %	1.9	2.0	2.0	2.6	2.1	1.9	1.8	1.9	1.9	2.1	2.0	1.9	1.9	1.9	1.9	2.1	2.2	2.5	2.7	2.9	
CPI underlying - qtr %					0.4	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.7	0.7	0.7	
CPI underlying - ann %	1.8	1.9	2.0	2.4	1.7	1.8	1.9	1.9	2.0	1.9	1.9	1.9	1.9	1.9	2.0	2.1	2.2	2.3	2.5	2.7	
Wages (Pvte WPI - qtr %)					0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	
Wages (Pvte WPI - ann %)	1.8	2.1	2.5	2.7	1.8	1.8	1.9	1.9	1.9	2.0	2.1	2.2	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.8	
Unemployment Rate (%)	5.6	5.4	5.1	4.9	5.9	5.6	5.4	5.4	5.5	5.5	5.3	5.3	5.2	5.0	5.0	5.0	4.9	4.8	4.8	4.9	
Terms of trade	12.2	-0.7	-0.7	0.0	5.2	-5.7	-0.1	-0.1	3.6	-1.3	-1.7	-3.4	-0.8	-1.2	-0.9	0.3	-0.4	0.3	-0.4	0.2	
G&S trade balance, \$Abn	10.0	7.4	-12.7	-27.5	6.8	2.9	1.6	-1.4	3.3	2.8	2.3	-1.1	-1.4	-2.5	-4.2	-4.5	-5.6	-6.1	-7.5	-8.2	
% of GDP	0.6	0.4	-0.6	-1.3	1.5	0.7	0.4	-0.3	0.7	0.6	0.5	-0.2	-0.3	-0.5	-0.9	-0.9	-1.1	-1.2	-1.5	-1.6	
Current Account (% GDP)	-2.6	-3.0	-4.1	-4.8	-1.6	-2.5	-2.8	-3.6	-2.5	-2.9	-3.0	-3.7	-3.7	-4.0	-4.3	-4.3	-4.6	-4.6	-4.9	-5.0	

Source: NAB Group Economics; (a) Contributions to GDP growth

## Exchange Rate Forecasts

	20-Nov	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
<b>Majors</b>						
AUD/USD	0.7291	0.71	0.72	0.73	0.75	0.75
NZD/USD	0.6848	0.65	0.65	0.66	0.68	0.69
USD/JPY	112.57	112	110	110	108	106
EUR/USD	1.1454	1.18	1.20	1.22	1.25	1.30
GBP/USD	1.2858	1.26	1.28	1.30	1.34	1.40
USD/CHF	0.9923	0.96	0.94	0.95	0.94	0.91
USD/CAD	1.3169	1.27	1.26	1.25	1.25	1.24
USD/CNY	6.9415	6.90	7.10	7.20	7.20	7.15

## Australian Cross Rates

	20-Nov	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
AUD/NZD	1.0647	1.10	1.11	1.11	1.11	1.09
AUD/JPY	82.1	79	79	80	81	80
AUD/EUR	0.6365	0.60	0.60	0.60	0.60	0.58
AUD/GBP	0.5670	0.56	0.56	0.56	0.56	0.54
AUD/CNY	5.0610	4.90	5.11	5.26	5.43	5.36
AUD/CAD	0.9602	0.90	0.91	0.91	0.94	0.93
AUD/CHF	0.7235	0.68	0.68	0.69	0.71	0.68

## Interest Rate Forecasts

	20-Nov	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
<b>Australia Rates</b>						
RBA Cash rate	1.50	1.50	1.50	1.75	1.75	2.00
3 month bill rate	1.94	1.95	1.95	2.15	2.15	2.40
3 Year Swap Rate	2.19	2.20	2.30	2.70	2.90	3.10
10 Year Swap Rate	2.89	3.05	3.10	3.50	3.60	3.70
<b>Offshore Policy Rates</b>						
US Fed funds	2.25	2.50	2.75	3.00	3.25	3.25
ECB deposit rate	-0.40	-0.40	-0.40	-0.40	-0.20	0.00
BoE repo rate	0.75	0.75	0.75	1.00	1.00	1.25
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	1.75	1.75	1.75	1.75	2.00	2.25
China 1yr lending rate	4.35	4.35	4.35	4.35	4.35	4.35
China Reserve Ratio	14.5	16.0	16.0	16.0	16.0	16.0
<b>10-year Benchmark Bond Yields</b>						
Australia	2.70	3.00	3.05	3.30	3.40	3.50
United States	3.06	3.25	3.25	3.50	3.50	3.50
New Zealand	2.72	3.10	3.20	3.45	3.60	3.70

Sources: NAB Global Markets Research; Bloomberg; ABS

## Global GDP

Dec year	2015	2016	2017	2018	2019	2020	20 Yr Avg
Australia	2.5	2.6	2.2	3.3	2.7	2.5	3.4
US	2.9	1.5	2.3	2.8	2.3	1.7	2.6
Eurozone	2.1	1.8	2.6	2.1	2.0	1.8	1.5
UK	2.3	1.9	1.8	1.5	1.7	1.6	2.4
Japan	1.4	0.9	1.7	0.9	1.0	0.7	0.8
China	6.9	6.7	6.9	6.5	6.3	6.0	9.2
India	8.2	7.1	6.7	6.8	7.2	6.9	6.6
New Zealand	3.5	4.0	2.8	2.9	2.9	2.7	3.0
World	3.5	3.2	3.8	3.8	3.7	3.5	3.5
MTP Top 5	4.1	3.8	4.2	4.0	3.8	3.4	5.0

## Commodity prices (\$US)

	20-Nov	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Brent oil	66.5	82	85	80	77	78
Gold	1223	1247	1276	1297	1305	1318
Iron ore	71.9	68	63	60	61	62
Hard coking coal	221	195	180	175	160	165
Thermal coal	103	110	105	103	101	100
Copper	6275	6250	6350	6500	6600	6700
Aust LNG (*)	15.1	13.5	14.3	14.6	13.4	13.0

(\*) Implied Australian LNG export prices.

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